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ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

April 10, 2014

702 north beaver  
flagstaff, az 86001

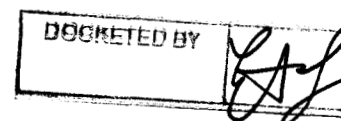
928.779.1050

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ORIGINAL

Arizona Corporation Commission  
DOCKETED

APR 11 2014



Docketing Supervisor  
Docket Control Division  
Arizona Corporation Commission  
1200 West Washington Street, Room 108  
Phoenix, Arizona 85007

Re: Anasazi Water Company, LLC Direct Testimony  
Docket Nos. W-02350A-10-0163, W-20765A-10-0432, W-20770A-  
10-0473, W-02350A-13-0312, and W-20770A-13-0313  
File Number: 555-1208

Dear Sir/Madam:

This law firm represents Anasazi Water Company, LLC. Please find the enclosed original and 13 (thirteen) copies of the Direct Testimony of Pamela Fain, Manager of Anasazi Water Company, LLC in Support of Settlement Agreement (Docket Nos. W-02350A-10-0163, W-20765A-10-0432, W-20770A-10-0473, W-02350A-13-0312, and W-20770A-13-0313).

Thank you for your assistance, and if you have any questions please do not hesitate to contact me.

Sincerely,

Paul L. Brinkmann  
For the Firm

PLB/ced  
Enclosures  
cc: Anasazi Water Company, LLC

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

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ARIZONA CORP COMMISSION  
DOCKET CONTROL

**COMMISSIONERS**

**Bob Stump – Chairman**  
**Gary Pierce**  
**Brenda Burns**  
**Bob Burns**  
**Susan Bitter Smith**

IN THE MATTER OF THE APPLICATION OF  
TUSAYAN WATER DEVELOPMENT  
ASSOCIATION, INC. FOR  
ESTABLISHMENT OF RATES FOR WATER  
SERVICE.

DOCKET NO. W-02350A-10-0163

IN THE MATTER OF THE APPLICATION OF  
ANASAZI WATER CO., LLC FOR  
ADJUDICATION "NOT A PUBLIC SERVICE  
CORPORATION."

DOCKET NO. W-20765A-10-0432

IN THE MATTER OF THE APPLICATION OF  
HYDRO-RESOURCES, INC. FOR  
ADJUDICATION "NOT A PUBLIC SERVICE  
CORPORATION."

DOCKET NO. W-20770A-10-0473

IN THE MATTER OF THE APPLICATION OF  
TUSAYAN WATER DEVELOPMENT  
ASSOCIATION, INC. FOR CANCELLATION  
OF CERTIFICATE OF CONVENIENCE AND  
NECESSITY

DOCKET NO. W-02350A-13-0312

IN THE MATTER OF THE APPLICATION OF  
HYDRO-RESOURCES, INC. FOR A  
CERTIFICATE OF CONVENIENCE AND  
NECESSITY TO PROVIDE WATER  
SERVICE.

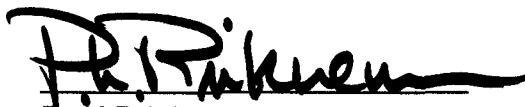
DOCKET NO. W-20770A-13-0313

**ANASAZI WATER COMPANY, LLC'S NOTICE OF FILING TESTIMONY**

Anasazi Water Company, LLC, by and through its undersigned counsel hereby  
files the testimony of Manager Pamela Fain in support of the settlement in the above-  
captioned matter.

1 RESPECTFULLY SUBMITTED this 10<sup>th</sup> day of April, 2014.

2  
3 Shorall McGoldrick Brinkmann

4 

5 Paul Brinkmann

6 702 N. Beaver Street

7 Flagstaff, AZ 86001

8 Attorney for Anasazi Water Company, LLC

9 An original and thirteen (13) copies of the foregoing were delivered this 10th day of April, 2014 to:

10 Docketing Supervisor  
11 Docket Control Division  
12 Arizona Corporation Commission  
13 1200 West Washington Street  
14 Phoenix, Arizona 85007

15 A copy of the foregoing was mailed this 10<sup>th</sup> day of April, 2014 to:

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- 10 Janice Alward, Chief Counsel
- Legal Division
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- 1200 West Washington Street
- 12 Phoenix, AZ 85007
- 13 Steven M. Olea, Director
- Utilities Division
- 14 ARIZONA CORPORATION COMMISSION
- 1200 West Washington Street
- 15 Phoenix, AZ 85007

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By: 

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**DIRECT TESTIMONY  
OF  
PAMELA FAIN  
MANAGER OF ANASAZI WATER COMPANY, LLC  
IN SUPPORT OF SETTLEMENT AGREEMENT**

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**I. Introduction**

**Q. PLEASE STATE YOUR NAME, COMPANY, AND TITLE.**

A. My name is Pamela Fain. I am the manager for Anasazi Water Company, LLC ("Anasazi").

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A. The purpose of my testimony is to support the proposed settlement agreement between Anasazi, the Arizona Corporation Commission Utilities Division ("Staff"), Hydro-Resources, Inc. ("Hydro"), Town of Tusayan Arizona ("Town"), Squire Motor Inns, Inc. ("Squire") and Tusayan Water Development Association, Inc. ("TWDA") (collectively referred to as "Signatory Parties") filed on August 13, 2013 in this proceeding. In supporting the proposed Settlement Agreement, I discuss the settlement process, as well as the terms of the Settlement Agreement and the public interest.

**II. Settlement Process**

**Q. PLEASE PROVIDE A SUMMARY OF THE PROCEEDING LEADING UP TO THE SETTLEMENT.**

A. On March 28, 1979, the Arizona Corporation Commission issued a CC&N to TWDA, which authorized it to provide water service in the Tusayan, Arizona area. At the time, the TWDA CC&N was appropriate for the provision of water to customers in the unincorporated community of Tusayan. Over the years, Tusayan grew, and the TWDA CC&N became problematic as it provided unequal rates to customers in the same CC&N.

On April 29, 2010, TWDA filed a rate application, Docket No. W-02350A-10-0163, with the Arizona Corporation Commission ("Commission"). At the time, TWDA purchased water from two wholesale providers, Hydro and Anasazi. Although TWDA held the CC&N, Staff was concerned that Hydro and Anasazi were acting as public

1 service corporations, and TWDA was acting as their billing agent. Staff therefore  
2 asked the companies to either file for a CC&N or apply to be adjudicated not a public  
3 service corporation.

4 Both Hydro and Anasazi applied to be adjudicated not a public service  
5 corporation, and the adjudications and rate applications were consolidated  
6 (collectively "ACC Adjudication"). Since that time, numerous procedural conferences  
7 have been held. Tusayan Ventures, LLC, the Town and Squire have all been  
8 granted leave to intervene in the ACC Adjudication. Although originally engaged,  
9 Tusayan Ventures, LLC ultimately decided not to participate in this Settlement.

10 On August 13, 2013, TWDA, Anasazi, Hydro, the Town, and Staff entered into  
11 a Settlement Agreement designed to resolve the parties' differences by simplifying  
12 the provision of water utility service in the town.

13 **Q. WHICH PARTIES PARTICIPATED IN THE SETTLEMENT NEGOTIATIONS?**

14 A. Since the goals of the negotiations changed over time, each party's level of  
15 involvement changed accordingly. TWDA, Anasazi, Hydro, the Town, and Staff have  
16 all actively participated in the settlement negotiations from their inception in 2010 until  
17 the settlement agreement entered in August 2013.

18 **Q. PLEASE DESCRIBE THE SETTLEMENT NEGOTIATIONS.**

19 A. The settlement negotiations were open, transparent, and inclusive. Each party  
20 was given an equal opportunity to participate and express their respective positions  
21 and their desired result. As is the nature of settlement negotiations, no single party  
22 received everything they wanted. Yet there was a genuine desire and commitment  
23 on the part of all of the signatory parties to reach a compromise in the best interests  
24 of all parties.

25 **Q. WHAT WAS THE OUTCOME OF THE SETTLEMENT NEGOTIATIONS?**

A. Anasazi was able to come to an agreement on all of the issues with the major  
participants that were directly involved (i.e. Staff, Hydro and TWDA). Additionally, the



other parties, the Town and Squire, both participated and have agreed to the terms and conditions of the settlement agreement. If approved by the Commission, the agreement will consolidate the water delivery infrastructure into a single system that is owned, managed, and controlled by Hydro. The agreement requires, among other things, that: (1) Anasazi will terminate its existence and convey to Hydro certain physical plant and property, and other miscellaneous equipment; (2) Hydro will apply for a CC&N covering the area currently within TWDA's CC&N; (3) TWDA will apply for cancellation of its CC&N, and (4) Hydro and Anasazi will transfer certain assets to Red Feather Properties Limited Partnership ("RFP") to allow it to serve itself. The settlement negotiations produced results that benefit all parties, are in the public interest, and are just and reasonable.

### **III. Terms of the Settlement Agreement**

#### **Q. WHAT ARE THE MAJOR TERMS OR PROVISIONS OF THE SETTLEMENT AGREEMENT?**

A. The following terms are contained in the proposed Settlement Agreement:

- Anasazi will transfer to Hydro certain assets that will be necessary for Hydro to provide water service, including physical plant and property, water distribution lines and meters, and easements and rights-of-way. Anasazi will dissolve, wind up and terminate its existence.
- TWDA will apply for deletion/cancellation of its CC&N and Hydro will file an application for a new CC&N covering generally the same area and providing service to TWDA's existing customers in the Certified Area except for the property owned by RFP, which shall provide water to itself.
- Hydro will acquire from Anasazi the physical plant and property, and property rights described above. It will provide service to customers

1 currently served by TWDA in the Tusayan area except for the RFP  
2 campus. Hydro will also transfer to RFP the water distribution lines  
3 and fire hydrants located on the RFP campus to allow it to serve  
4 itself.

- 5 • Additionally, Squire and Hydro shall enter into a new contract or  
6 amend their existing water supply contract to ensure that Squire is a  
7 private, stand-alone point of service that sells water to Hydro.

8 **IV. Public Interest**

9 **Q. PLEASE EXPLAIN WHY THE COMMISSION'S APPROVAL OF THE**  
10 **SETTLEMENT AGREEMENT RESULTS IN RATES, CHARGES AND CONDITIONS**  
11 **OF SERVICE THAT ARE JUST AND REASONABLE AND IN THE PUBLIC**  
12 **INTEREST.**

13 A. In my opinion, the Agreement is fair, balanced and in the public interest.  
14 Hydro is an established entity with the ability to service the CC&N. It will continue to  
15 serve the customers of the CC&N with no foreseeable issues. The proposed  
16 settlement balances the interests of TWDA, Anasazi, and Hydro and the ratepayers  
17 in the CC&N by creating a single utility with uniform rates. Hydro will have the tools  
18 and financial health to provide safe, adequate, and reliable service, while complying  
19 with Commission requirements at just and reasonable rates.

20 **Q. DOES THAT CONCLUDE YOUR TESTIMONY IN SUPPORT OF THE**  
21 **AGREEMENT?**

22 A. Yes.  
23  
24  
25